

ABSTAINERS' ^{file}INSURANCE COMPANY

TENTH ANNUAL REPORT 1956/1966

AR05

GROWTH FACTS

The Company commenced business October 1, 1956 and now insures over 20,000 automobiles in the provinces of Ontario, Alberta and Manitoba.

GROSS PREMIUMS WRITTEN

1960	\$ 247,452
1963	454,212
1966	1,478,608

Total 1956-1966 \$4,858,871

CLAIMS INCURRED

1960	\$ 110,123
1963	284,055
1966	774,641

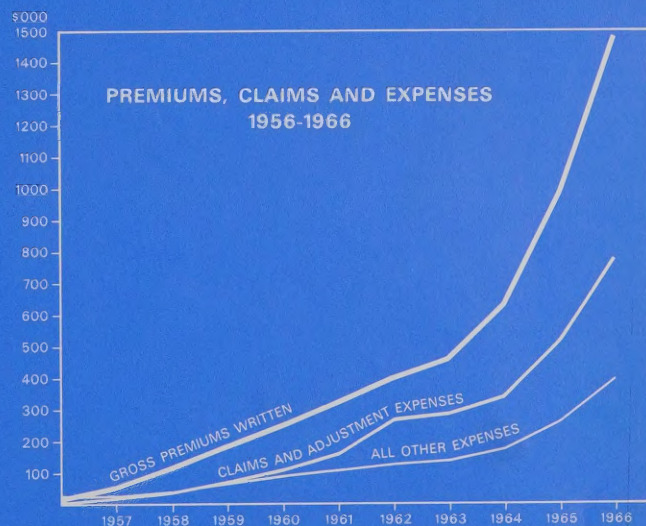
Total 1956-1966 \$2,578,218

TOTAL ASSETS

1960	\$ 312,413
1963	554,815
1966	1,848,345

SURPLUS FOR THE PROTECTION OF POLICYHOLDERS

1960	\$ 154,066
1963	224,340
1966	651,365



OUR FIRST TEN YEARS

*Tens of thousands of automobiles have been insured
since the first Abstainers' policy was
issued to Dr. R. B. Hare, in October, 1956*



ABOVE. First policy of the Abstainers' Insurance Company is issued in October 1956 to Dr. R. B. Hare (centre) President of the Company. Looking on are Mr. Arthur Blair, General Manager, and Magistrate Robert Groom, Vice President, left to right.

WHEN the first policy was issued ten years ago last October, the founding directors had high hopes for the Abstainers' Insurance Company. But they would have been less than human if they did not have some apprehensions as they launched this "odd-ball" company, the first of its kind in Canada.

While surveys established many motorists were sympathetic to the project, the Company founders knew that it would take more than sympathy to put it over. They recognized that if the Company were to succeed, its rates, its service and its long-term profit experience had to be a large cut better than competition.

Growth was understandably slow in the early years as non-drinking motorists waited to see how the Company performed.

At one juncture, in May 1957, when in business less than eight months, the Company was faced with the kind of crisis that every fledgling insurance company fears; the arrival of one very large claim. While there was no question as to the Company's ability to meet it, the very unfavourable loss ratio which it produced because of the relatively small income proved discomfiting. The liquor interests were quick to take advantage of it and used the statistics, without any qualification, in a full page advertisement in the Sault Ste. Marie Star in support of wider licensing facilities.

It is not without significance that the Company's statistics have been studiously ignored by the liquor interests ever since.

In 1966 the Company increased its earned premium income by 58%, up

\$465,000 to \$1,264,000. And not withstanding the low rates to policyholders, the Company's 1966 loss ratio of 61% was well below that anticipated for the industry, and its profits were well ahead.

The Company's loss ratio in 1964 and 1965 of 64% for both years compared with industry figures of 78% and 69% for the same years according to the Canadian Underwriters' Statistical Issue. This performance was achieved not withstanding policyholder rates of 10% to 20% lower than most companies. Since loss ratio is the percentage which claims represent of the earned premium income, it is no easy matter to achieve both low loss ratio and low rates.

The Company's actuarial record has gone a long way toward meeting the founders' first objective, which was to prove statistically that drinking motorists made an inordinate contribution to the number of accidents and to increased insurance costs. It is a strange commentary on human nature that many people who are singularly unimpressed by statistics presented by our police and judiciary, our lawyers and doctors, are impressed by the Company's lower rates and higher profits.

From 1956 to 1962, Abstainers' operations were limited to Ontario although many inquiries had been received from prospective agents and policyholders in other parts of Canada. In 1962 it was felt that the rate of growth and breadth of experience permitted expansion into a second province, Alberta. The Company is now writing well over \$200,000 through its agents in that province. In 1965 the facilities of the Company were offered in Manitoba and in the first full year, agents collected nearly \$90,000 in premiums.

During 1966 the Company extended its license in Ontario, Alberta and Manitoba enabling it to provide coverage beyond what is normally included

in the standard automobile policy. Consideration is being given to possible expansion into non-automotive insurance lines.

Rapid expansion of the Company has necessitated building bigger reserves. While profits of the Company have been contributing steadily to these reserves, it was decided during 1966 to make a common share offering for the first time. By the end of 1966, over \$160,000 of new capital had been subscribed to by Company agents, preferred shareholders and policyholders. An initial dividend on the common stock was paid in October 1966 and it is anticipated that dividends will now be paid on a regular basis, half-yearly.

The Company believes that it has encouraged abstinence on the part of many motorists, especially young people. Certainly it has demonstrated that there are far more abstainers than many people think. Young people exposed to liquor promotion on TV, radio, in magazines and newspapers might well suspect that everyone drinks in sports, business, professions and in public life. It is reassuring for them to learn how many leaders are among our policyholders.

A continuing objective of the Company has been to help bring into stronger public focus the drinking-driving menace on our highways. Hundreds of thousands of reprints of authoritative articles have been distributed and the Company has contributed time and money to various conferences at which the subject has been considered. Recently a number of prints of the CTV film "Point Zero

Eight," which demonstrated the effect of liquor on racing car drivers, were purchased from the All-Canada Insurance Federation, for distribution to various safety groups across Canada. The scientist who supervised the film, Dr. H. Ward Smith, discussed some of the implications of the unique test when he addressed the Company's tenth Annual Meeting.

While the founding directors were all of one mind so far as alcohol and the auto were concerned, and shared a common concern for the welfare of the community, they were otherwise of many different parts. All active in church affairs, they represent a full range of fundamentalist and liberal congregations. The president and a chief promoter of the enterprise, Dr. R. B. Hare is a respected doctor and surgeon in Norfolk County. Mr. Robert Groom, Abstainers' vice president, when not presiding as County Magistrate, carries on a legal practice in Tillsonburg. Mr. Parmer Wilson, the treasurer, a Burford farmer by occupation, is well known for his prowess as a **wrestler** in years gone by. Mr. Jack McNie, who supervises the Company's advertising and public relations, is president of a national advertising agency, Russell T. Kelley Co., Limited in Hamilton. Mr. Jim Webb is a Delhi merchant. Mr. Howard Discher is a Brantford real estate appraiser.

The consideration given to the election of additional board members is an indication of the founding directors' continuing concern for the Company's growth and integrity. For example, the

present Company secretary, Mr. Ralph Mills, is a busy Toronto lawyer, prominent in university and church affairs; Mr. Sam Bernardo, Company vice president, a Brantford automobile dealer, is presently representing the Gideon International organization on a six week trip through Vietnam, Thailand, Burma, India and Pakistan; Mr. Steve Fletcher, Hamilton Branch Manager for the Canada Life Assurance Company, is a past president of the Hamilton Board of Education and Hamilton Chamber of Commerce; Mr. Aleck Waters is a Brantford investment consultant with an extensive general business experience.

Day to day direction of the Company's affairs has been in the hands of Arthur Blair, the general manager since it opened in 1956. He came to Abstainers' with two assets. The first was his twenty-five years of experience as an insurance agent. The second was a firm conviction that the Abstainers' philosophy was sound and that the Company would prosper. Both have paid off for the Company and its policyholders.

Launched in 1956 as a direct writing company, Abstainers' Insurance soon began receiving requests from insurance agents who wished to represent them. However, the Company, as a matter of policy, decided to keep the business on a direct writing basis through the early years until the Head Office operation had been firmly established and an adequate experience had been achieved.

The first agent appointed, William Scrivens of Ottawa, was well qualified in every way. His agency was successful

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Abstainers' Officers and Directors; left to right, clockwise.

Dr. R. B. Hare, R. S. Mills, H. Discher, A. Waters, R. G. Groom, S. R. Bernardo, J. D. McNie, J. Webb, S. M. Fletcher, P. L. Wilson, C. A. Blair.



ABSTAINERS' INSURANCE COMPANY

(Incorporated under the laws of the Province of Ontario)
Simcoe, Ontario

BALANCE SHEET

as at December 31, 1966 (with comparative figures for 1965)

ASSETS	1966	1965	LIABILITIES
Cash	\$ 42,504	\$ 12,437	Provision for unsettled claims and adjustment expenses
Investments — at amortized cost (market value — \$1,633,392) Canadian government and municipal bonds	\$808,431		Unearned premiums at 85% (Note Accounts payable and accrued charges
Other bonds and debentures	371,438		Advance premiums
Preference stocks	370,606		Reinsurance premiums payable
Common stocks	189,665	1,740,140	Corporation income taxes payable
Net premiums receivable	31,975	44,259	Provision for unsettled claims for previous reinsurers for which trust funds are held
Accrued interest on investments	14,184	8,436	Total Liabilities
Special Refundable Corporation Tax	1,352		
Trust funds for claims of previous reinsurers	18,190		
On behalf of the Board:			CAPITAL STOCK and SURPLUS
R. B. HARE, Director			Capital Stock (Note 2)
P. L. WILSON, Director			Authorized:
			2,000 5% cumulative preference shares, each redeemable at par
			150,000 common shares at \$2.00
			Issued and Fully Paid:
			2,000 preference shares
			45,079 common shares — 13,079 for cash during the year
The notes to the financial statements form an integral part of the statements.			Contributed Surplus — resulting from of 13,079 common shares at \$12.50 the year
			Earned Surplus
			Surplus for the Protection of Policyholders
Total Admitted Assets	\$1,848,345	\$1,114,288	

AUDITORS' REPORT

To the Shareholders of Abstainers' Insurance Company:

We have audited the books and accounts of Abstainers' Insurance Company for the year ended December 31, 1966 and have verified the cash and bank balances and the bonds and stocks held as shown in the above balance sheet. We examined the calculation of the reserve for unearned premiums and the provision for unsettled claims and adjustment expenses as at the above date and are satisfied that they are adequate.

Simcoe, Ontario, February 8, 1967

In our opinion the above balance sheet and related surplus present fairly the financial position of the company and the results of its operations for the year ended on the basis of the accounting principles applied on a basis consistent with the change in the calculation of the provision for claims to the financial statements.

W.A.

STATEMENT OF PROFIT AND LOSS AND EARNED SURPLUS

For the Year ended December 31, 1966
(with comparative figures for the year 1965)

	1966	1965
Written premiums (less reinsurance)	\$ 483,095	\$ 284,887
Earned premiums	557,478	364,915
Claims and adjustment expenses	33,608	13,635
Directors' remuneration	16,014	11,359
All other expenses	40,196	27,193
	48,399	5,571
Net underwriting profit	18,190	
Income and profit from investments	\$1,196,980	\$ 707,560
Net profit before taxes on income		
Corporation income tax provision		
Net profit for the year		
Earned surplus — January 1st		
Increase in unearned premium provision (Note 1)	\$ 200,000	
Dividends paid on preference shares	90,158	
Dividends paid on common shares	\$ 290,158	\$ 264,000
	137,330	
	223,877	142,728
	\$ 651,365	\$ 406,728
	\$1,848,345	\$1,114,288

	1966	1965
Written premiums (less reinsurance)	\$1,434,269	\$ 941,505
Earned premiums	\$1,264,513	\$ 799,168
Claims and adjustment expenses	\$ 774,641	\$ 511,295
Directors' remuneration	4,950	4,500
All other expenses	386,482	250,472
	\$1,166,073	\$ 766,267
Net underwriting profit	\$ 98,440	\$ 32,901
Income and profit from investments	68,663	64,256
Net profit before taxes on income	\$ 167,103	\$ 97,157
Corporation income tax provision	51,187	5,740
Net profit for the year	\$ 115,916	\$ 91,417
Earned surplus — January 1st	142,728	75,799
	\$ 258,644	\$ 167,216
Increase in unearned premium provision (Note 1)	22,807	
Dividends paid on preference shares	10,000	24,488
Dividends paid on common shares	1,960	
	\$ 34,767	\$ 24,488
Earned Surplus — December 31st	\$ 223,877	\$ 142,728

Notes to the Financial Statements:

statement of profit and loss and earned
company as at December 31, 1966 and the
te in accordance with generally accepted
with that of the preceding year, except for
earned premium as described in Note 1

RS, SAVAGE, HORNE & RONSON
Chartered Accountants

1. The provision for unearned premiums is calculated on the basis of the proportion of the term remaining until expiry. In prior years the amount so determined has been reduced by 20% to offset acquisition costs but in 1966 the reduction was reduced to 15%. The use of the 20% basis in 1966 would have resulted in \$9,981 additional earned premium. The adjustment of \$22,807 to increase the provision for unearned premium at January 1st, 1966 to an 85% basis is shown as a deduction from earned surplus.
2. Supplementary letters patent were issued to the company during the year whereby each of the original 3,000 common shares with a par value of \$100 were divided into 50 new common shares with a par value of \$2.

Breakthrough in Ottawa:

A VERY significant milestone was passed early this year with the tabling of the House of Commons Justice Committee's Report recommending that the Federal Criminal Code be changed to make it illegal for anyone with a blood alcohol level of .08% or more to drive a motor vehicle.

The Committee's Report further stated that breathalyzer tests are "an accurate method of determining blood alcohol levels" and that it should be illegal for anyone suspected of driving in an impaired state to refuse to give a "sample of breath" to a law officer. The Report also agreed with the Canadian Bar Association's contention that a breathalyzer test would not constitute a meaningful rejection of civil liberties.

While the Report has yet to be considered by the Justice

Department, and could be a long time getting translated into law, the Committee's recommendations greatly heartened those who have been urging the Federal Government to amend the Criminal Code and make it possible for the provinces to deal forthrightly with this great traffic menace.

In the absence of adequate Federal legislation, urgently and unanimously sought by the provinces, some jurisdictions have already taken stop-gap measures to deal with the crisis. On April 1, roadside testing and suspension of motorists suspected of impairment will begin in B.C. Motorists suspected of impairment must surrender licenses if they refuse to take the breath test. Saskatchewan which pioneered use of the breathalyzer in 1958, is now proposing provincial legislation making it an offence to drive with a blood alcohol level of over .08% if Federal legislation is not "immediately forthcoming."

The Ottawa Report, which was an outgrowth of a bill

Eight Top Racing Car Drivers Pitted Against Alcohol...

*A review of the CTV film
"Point Zero Eight"
by the scientist who directed
the project*

H. Ward Smith, PhD.
Director, Centre of
Forensic Sciences,
Government of Ontario.



THE unique features of this study, requested by CTV, are that racing drivers were used and speeds of up to 60-70 miles per hour formed part of the series of driving tests.

The track at Harewood Acres was used, and Mr. Paul Cooke, manager of Comstock Racing Team, Mr. Doug M. Lucas, and Dr. H. Ward Smith designed a series of tests which were expected to show changes in judgment, attitude and skill.

Racing drivers were used because it was thought that at the concentrations of alcohol involved, their skill would not be so markedly affected that they

could get into a serious accident situation. The tests were scored on a two-page sheet which listed some fifty items, which indicated various departures from the ideal driving pattern. Mr. Cooke was able to get two skilled drivers and racing instructors who, with himself, formed a team of three observers. These were Bob Hanna and Richard Shelton. The drivers were Al Pease, Werner Gudzus, Ludwig Heimrath, Ian Hart, Lloyd Howell, Craig Hill, Diana Carter, and Zrgrund Gudzus. These drivers have all won trophies consistently in Canadian racing.

The procedure was to have the drivers,



proposed by Barry Mather, NDP member for New Westminster, did not go as far as some would have liked. However, it was a big step in the right direction, which has been pointed out clearly and persistently in recent months by individuals such as Mr. Mather and groups such as the Canadian Bar Association, the Canadian Medical Association, Canadian Highway Safety Conference and Canadian Association of Chiefs of Police. Their scientific research, carefully documented briefs, and determination helped to pave the way for this Report by the Commons Justice Committee.

The country's communications media have played a key role in bringing this problem into true focus. One of the most interesting and revealing presentations on the subject appeared on the CTV network recently, sponsored by the All-Canada Insurance Federation. Entitled "Point Zero Eight" this half hour documentary showed the effects of drink upon eight of

Canada's top racing car drivers.

The Canadian public is indebted to the network, and to its sponsor, for presenting such an impressive body of evidence in support of the amendments to the Criminal Code recommended by the Justice Committee and others.

Because of the relevance of this film to the Company's educational program, which is to help better inform the public of the hazards of drinking-driving, a quantity of the "Point Zero Eight" film has been purchased for distribution to interested groups throughout Canada.

Summarized below are some comments about the film by the man who directed the project, Dr. H. Ward Smith.

It is interesting to note that while .08% seemed an acceptable permissible level to Dr. Smith before the test, he was later of the opinion that this level was probably too high and .05% might be closer to the mark.

after being instructed to drive safely and within their limits, drive the track several times for practice. They drove the two-mile track four times, in what we referred to as the 'dry runs', on which they were scored. They were then interviewed to determine their drinking history and to assess how much alcohol it would be safe to give them in relation to their stated tolerance. They then drank the amount agreed on in a one-hour period. An additional hour elapsed so that this alcohol would be absorbed. They went back on the track and drove the track four more times, which we refer to as the 'wet run'. The alcohol level was measured before and after the 'wet runs' using the Breathalyzer.

Some of these drivers were re-tested so that after their 'wet runs', they came back to the refreshment stand, drank for another hour, allowing an hour for absorption of alcohol, and were tested at various higher levels. It was thought that this arrangement would allow for a suitable measure of driving skill normal to this situation, and a suitable test of any change after alcohol.

Under the conditions of this study, a one-hour drinking period and a one-hour wait (three drinks — 1-½ oz. whiskey, 12 oz. beer, 3-6 oz. wine), would generally result in a level of .05 per cent alcohol in the blood of a 160 lb. person.

In summary, the results were dramatic and showed things which we had no reason to expect. The most notable finding appeared to be a failure to sense the attitude or position of the car. This showed especially on curves, and is connected with the deep muscle sense which is the balancing mechanism of the body. Since there was a reduction in this feeling, the driver reacted to visual clues, which only come after something has happened. Therefore his driving res-



Ed McGibbon, producer of "Point Zero Eight," talks to racing drivers Al Pease and Ian Hart.

ponse is late and usually exaggerated. This gives a weaving, and at a speed a choppy action of the car. This occurred to some extent at all levels studied down to a reading of .04 per cent.

In this study, changes in driving ability were shown in *all* of the drivers at levels between .04 and .08 per cent. With three drivers, they were taken to higher levels of .10, .13 and .15 per cent. The results at these higher levels were even more prominent in terms of impairment in driving ability.

In addition to the loss of deep muscle sense, there were general observations in all of the subjects. These have been summarized by Mr. Cooke who was in charge of the small team of observers. These include an increase in speed; an over-application of brakes; a tendency to wander out of their lane; misjudgment of their distances when stopping and turning; an inability to quickly cancel any reaction when started; more easily distracted; and inability to sense speed except when accelerating.

There was also a general complaint that things were happening too fast. This was apparent in all, in that they

appeared to be driving behind the car rather than ahead of it. This is notable because racing drivers need to plan far ahead of the car and are quite accustomed to doing this.

These results have a bearing on the legislation proposed by the Canadian Bar Association of .08 per cent as a level at which a driver would be guilty of an offense. These results indicate that this is probably too high a level. Should additional studies support these findings, the permissible level probably should not be higher than .05 per cent. This is in line with a recommendation by the British Medical Association Advisory Committee in 1960 which indicated that — "The Committee considers the concentration of .05 per cent of alcohol in the blood while driving a motor vehicle is the highest that can be accepted as likely consistent with the safety of other road users."

It is also in line with the recommendation of an International Symposium on Accident and Traffic Medicine whose expert committee resolved — "That in no circumstances could a blood alcohol concentration in excess of .05 per cent be permitted in drivers of motor vehicles on the public highway."

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and respected in the community. He had been keenly interested in the endeavour from the outset and as a preference shareholder had helped to launch the Company. And of course he was an abstainer.

There were many who predicted that the new Company would have a hard time finding enough experienced insurance agents who were abstainers. The Company's actual experience proved them dead wrong. The actual fact is that the Company has been in a position to select from among the best as it has pursued its carefully-paced field development program in Ontario, Manitoba and Alberta.

2 The Company's direct writing business, which accounted for all the volume in the first few years, has declined both in relative and absolute terms each year since the first agency appointment. Agency business in 1959 accounted for \$12,000, less than 7% of the Company's total written premium income. In 1966, the Company's agents accounted for \$1,135,000 of the premium income or 76% of the total volume. This compares with \$659,000 and 67% in 1965. Eighty-nine independent agents currently represent the Company in the three provinces in which the Company is licensed.

The president, Dr. Hare noted that, "While the past year was by far the best in the history of the Company, the current year promises to be even better. Every effort is being put forward to build a sound financial institution, and the shareholders have every reason to look forward to years of further consistent expansion, and the policyholders to even more security and service." □

Agency business up 72% over the previous year, accounts for 76% of total business.



After seven years representing Abstainers', Bill Scrivens, the Company's first agent, is more enthusiastic than ever. His agency has consistently produced the Company's best agency loss ratio.



Best overall producer in 1966, for the 5th successive year is John Rieger, Oshawa, left, receiving congratulations from Jack McNie, one of the Directors.



Representing the top producing agencies in Alberta and Manitoba at the Agents' recent annual conference, were Andy Diebert, Calgary, and Aaron Siemens, Winnipeg, left to right, photographed with their wives.

The 50% increase in Abstainers' premium income in the past year can be attributed largely to the efforts of the Company's agents, some of whom are seen at the agency sales conference in Brantford, Ontario.

